

Fiscal Note

Fiscal Services Division



SF 387 – Geothermal Franchise Tax Credit (LSB1799SV)
Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.iowa.gov)
Fiscal Note Version – New

Description

[Senate File 387](#) creates a new geothermal energy system income tax credit available for franchise (bank) tax filers. The credit is not transferable or refundable, but unused credits may be carried forward for up to 10 tax years. The credit is equal to 10.0% of eligible project costs and is retroactive to tax years beginning on or after January 1, 2017.

Background

Iowa currently offers a 10.0% tax credit for geothermal energy system installations on residential property. The federal government offers a geothermal systems tax credit for business property installations.

Assumptions

The Department of Revenue was not able to identify a direct source to use in estimating the number and dollar value of geothermal projects completed on bank property in Iowa. To develop this estimate, the Department examined tax credit awards for businesses under Iowa's Solar Energy System Tax Credit. The percentage of those solar credits redeemed on franchise tax returns (6.1%) was used to estimate the number and value of bank property geothermal projects. The Department applied the solar credit percentage (6.1%) to the estimated amount of total business geothermal projects expected to be completed in Iowa in 2017 and after.

The tax credits are assumed to be fully redeemed by the taxpayer in the fiscal year following the tax year of the award.

Fiscal Impact

The new franchise tax credit for qualified geothermal energy system installations is projected to reduce net General Fund revenue by less than \$50,000 per fiscal year, beginning FY 2018.

Source

Department of Revenue

/s/ Holly M. Lyons

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